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DEPARTMENT FOR AF/E

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TAGS: [PREL](#) [PARM](#) [MARR](#) [MASS](#) [MCAP](#) [ECON](#) [KN](#) [ET](#)
SUBJECT: FINDING ALTERNATIVES TO DPRK TRADE AND STOPPING
COUNTERFEITING AND MONEY LAUNDERING

REF: A. STATE 72005

- [1](#)B. ADDIS ABABA 1221
- [1](#)C. ADDIS ABABA 1096
- [1](#)D. ADDIS ABABA 105
- [1](#)E. 06 ADDIS ABABA 3223

Classified By: AMBASSADOR DONALD YAMAMOTO. REASON: 1.4 (A),(B) AND (D)

[1](#)1. (S/NF) Summary: Embassy Addis has pressed Ethiopian senior officials at every ministry and at every level to establish alternatives to North Korean trade and military ties. Ethiopia has significantly reduced trade with North Korea and is moving forward on phasing out the country's sole ammunition and small arms factories in Ambo, Ethiopia, both constructed by North Korea during the Soviet-backed Dergue regime over twenty years ago. Ethiopia is working with China on construction of new factories and looking to Eastern Europe--particularly Hungary, Romania, Ukraine, and Czech Republic--as sources for spare parts.

[1](#)2. (S/NF) This Embassy has also made it a point to advance U.S. efforts to help train Ethiopia's banking and police officials to counter North Korean counterfeiting and money laundering activities, a problem in Africa. End summary.

PHASING OUT DPRK; LOOKING TO CHINA AND EASTERN EUROPE

[1](#)3. (S/NF) For the past six months, the Ambassador has personally raised with senior Ethiopian officials the objective of ending North Korean trade and military sourcing, as well as working closely with the U.S. to stop North Korea's counterfeiting/money laundering activities. On June 1, the Ambassador met privately with State Minister of Foreign Affairs Tekeda Alemu and, joined by DATT, met separately with State Minister of Defense Sultan Mohammed and with Ethiopian National Defense Force (ENDF) Chief of General Staff (CHOD) Lieutenant General Samora Yonus to raise points (ref A) on alternative military sourcing. These senior Ethiopian officials affirmed points made in prior meetings and by other GOE officials that North Korea is not/not a regular source for spare parts and materials. Further, trade with and material procurement from North Korea have significantly decreased. Finally, North Korea is being phased out as a source for spare parts and military materials, as other alternatives develop. (NOTE: According to GOE officials, none of the parts procured from the DPRK are subject to the UNSC arms embargo. END NOTE.)

[1](#)4. (S/NF) State Minister Sultan stated emphatically that North Korean materials are inferior in quality, low technology, and, in the case of lubricants, high in

impurities. But the cost offered by North Korea is sometimes 50 percent below China's pricing. But even with the lower pricing, the poor quality and low technology have convinced the Ethiopians from very early on (since the establishment of the current government in 1991 of the need to phase out North Korea as a source, in favor of China and Eastern Europe. Minister Sultan pointed to the recent USD 3 million procurement from North Korea of lubricants and spare parts for munitions. The ship carrying the materials caught fire near the port of Djibouti in January, because of the poor packaging and lack of care in shipping the materials by North Korea. This was a good example, Minister Sultan noted, of why North Korea is not a consistent supplier, and underscored the need to push to work with the Chinese and others on procurement.

¶5. (S/NF) Minister Sultan noted that Eastern Europe, in addition to China, while increasing the cost, remains an alternative source for equipment and materials. He said Hungary, Romania, Ukraine and the Czech Republic have provided materials in the past and are potential sources for procuring military goods. The U.S. is viewed as the best source for equipment and military hardware, but the cost was too prohibitive.

¶6. (S/NF) General Samora emphasized that North Korea is not a major source for materials, nor is it the one country Ethiopia looks to for procurement of materials. It is Ethiopia's goal to be self-sufficient in ammunition and small arms production, as well as other types of military equipment. On equipment that Ethiopia cannot produce, a variety of sourcing is being sought with no one country serving as Ethiopia's main source for materials. He pointed out that the U.S. is the primary source for radios. The Vietnam-era PRC 77 radio is being replaced by U.S.-manufactured Harris radios. In an earlier meeting,

General Samora noted that Ethiopia received six HMMWVs from the U.S. , and had planned to procure additional HMMWVs. But an embargo by the U.S. over human rights issues stemming from the GOE's response to post-election demonstrations in November 2005 ended this specific procurement relationship with the U.S. Other sourcing will be pursued for this type of equipment, he said.

WHY THERE HAS BEEN A RELATIONSHIP WITH NORTH KOREA

¶7. (S/NF) Minister Sultan noted that the current government has been burdened by the prior Soviet-backed Dergue regime, which was overthrown in 1991. The Dergue leaders worked with North Korea to construct ammunitions and small arms factories in Ambo, Ethiopia. These are the only factories producing ammunition and small arms in Ethiopia, and are important to Ethiopia's military. Further, the spare parts can only be purchased from North Korea, because no other country can provide the spare parts for these North Korean factories. The factories are out of date, but constructing alternative factories will be expensive. Minister Sultan stated that Ethiopia is working with China to construct in Ambo new ammunition and small arms factories, which would help phase out the North Korean-built factories and also North Korea as a source for spare parts and lubricants.

¶8. (S/NF) Ministers Sultan and Tekeda stressed that cost is a major factor for the historic ties with North Korea. The ministers and Foreign Minister Seyoum have always stated that the conflict with Eritrea impeded Ethiopia's military downsizing effort. The 1998 border conflict with Eritrea sparked a dramatic expansion of Ethiopia's military force from 50,000 to over 150,000 troops. But Minister Sultan stressed that Ethiopia hopes to close down the North Korean-built factories in Ambo.

STOPPING NORTH KOREA'S OTHER ACTIVITIES

¶9. (S/NF) The Embassy has been active in working with the Ethiopian government on stopping North Korea's counterfeiting and money laundering activities. We continue to work on a workplan between the Department of the Treasury and the Ethiopian central bank's board of governors to upgrade skills and knowledge of Ethiopian banking staff, and to hold another workshop by the U.S. Secret Service for police and banking officials. While the discovery of North Korean counterfeit U.S. Federal Reserve notes has dramatically decreased from 5,036 &supernotes8 uncovered in 2004 to only 170 notes in 2006, the Embassy continues to recognize the importance of continuing to work with and push the archaic Ethiopian central bank to upgrade and expand skills.

COMMENT

¶10. (S/NF) The U.S. Embassy continues to pursue interaction with the GOE on pressing an end to North Korean military relations and stopping counterfeiting and money laundering activities by North Korea. The Ambassador, who also previously served as AF/DAS, is particularly sensitive to the North Korean counterfeiting/money laundering challenges in Africa. The Ambassador has spoken in private with other Ambassadors from China, Israel, India, Russia, Czech, Romania, U.K., France and other countries who serve as military suppliers or have good military-to-military relations with Ethiopia. They have all noted that they do not have close relations with Ethiopia's very private military hierarchy; even the Chinese and Israeli Ambassadors, who have the best military-to-military ties, have remarked that meeting General Samora is not easy and not on their priority list. We will continue to monitor progress on the Chinese construction of the new munitions and small arms factories and try to look closer at Ethiopia's procurement activities. END COMMENT.
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